BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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12/04/25
04:59 PM
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Application of Southern California Gas Company (U 904 G) for Authority, Among Other Things, to Update its Gas Revenue Requirement and Base Rates Effective on January 1, 2024.	Application No. 22-05-015 (Filed May 16, 2022)
And Related Matter.	Application No. 22-05-016 (Filed May 16, 2022)

OPENING COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E) ON THE PROPOSED DECISION TRACK 2 REQUEST FOR RECOVERY OF WILDFIRE MITIGATION PLAN MEMORANDUM ACCOUNT COSTS

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December 4, 2025

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San Diego Gas & Electric Company (SDG&E) recommends that the Proposed Decision (PD) be revised to:

- Recognize that it would be legal error to disallow costs on the premise that wildfire mitigation programs were not reasonable in their entirety, despite being included in SDG&E's Wildfire Mitigation Plans (WMPs) that were reviewed and approved by the Office of Energy Infrastructure Safety (Energy Safety) and ratified by the Commission;
- Provide authorization for SDG&E to recover incremental costs that were reasonably incurred to implement wildfire mitigation programs described in SDG&E's approved WMPs, including:
    - Costs to fund the Drone Investigation Assessment and Repair program and perform all remediation work for risk issues identifies through drone and other inspections;
    - Costs to fund Public Safety Power Shutoff (PSPS) preparedness, community relations, and stakeholder emergency communications;
    - Costs to fund data governance and risk assessment;
    - Costs to fund Resource Allocation Methodology (RAM);
    - Costs to fund vegetation management initiatives, specifically fuels management and Light Detection and Ranging (LiDAR) inspections;
    - Costs to install covered conductors.
- Provide authorization to recover costs that were disallowed due to factual errors, including:
    - Costs of interest associated with the authorized balance for the 2023-2027 time period;
    - Costs that were allocated to gas accounts consistent with accepted segmentation practices;
    - Costs associated with benefits for additional employees who were incremental to SDG&E's 2019 General Rate Case (GRC).

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OPENING COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E) ON THE PROPOSED DECISION TRACK 2 REQUEST FOR RECOVERY OF WILDFIRE MITIGATION PLAN MEMORANDUM ACCOUNT COSTS

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (CPUC or Commission), and the schedule set by Administrative Law Judge (ALJ) John Larsen, San Diego Gas & Electric Company (SDG&E) submits its Opening Comments on the Proposed Decision (PD) in Track 2 of SDG&E's Test Year 2024 General Rate Case (GRC).

I. Introduction

The PD legally errs by proposing an unprecedented disallowance of wildfire mitigation costs including zeroing out the costs of entire programs that formed the foundation of SDG&E's approved 2019-2022 Wildfire Mitigation Plans. Specifically, the PD violates the statutory and regulatory scheme established by Senate Bill (SB) 901 and Assembly Bill (AB) 1054, which requires the utility to develop and implement a Wildfire Mitigation Plan (WMP) and gives Energy Safety the prospective authority to review and approve programs in that WMP, followed by ratification by the Commission of established compliance targets and objectives. Contrary to that design and to the regulatory compact, the PD disallows the costs of entire programs that were necessary to achieve compliance with the statutory wildfire construct. The PD is:

- Contrary to law and exceeds the Commission's jurisdiction by intruding on Energy Safety's prior determination that the programs in SDG&E's WMPs are reasonable to promote public safety and compliance with statutory objectives;
- Contrary to law because it conflicts with the Commission's own prior actions in ratifying SDG&E's WMPs and inconsistent with Commission precedent authorizing the costs of these programs in SDG&E's 2024 GRC decision;
- Violates due process by disallowing, without fair notice, the costs of programs that SDG&E was required to implement; and
- Violates law and Commission precedent by strictly enforcing cost-efficiency standards that were issued and adopted after these costs were incurred.

The PD broadly disallows costs associated with SDG&E's drone inspections, Public Safety Power Shutoff (PSPS) communications programs, data governance, risk assessment enhancements, vegetation management initiatives, and aviation firefighting. Its conclusions rest on significant legal and specific factual errors. In particular, the PD misapplies the prudent manager standard by second-guessing costs that were reasonably incurred to implement prospectively-approved programs that were critical to wildfire-mitigation efforts. The PD also is arbitrary and capricious, because it unfairly relies on extra-record evidence and inapt comparisons to other utilities' programs to justify the disallowances.

Commission precedent supports the reasonableness of these programs, which were ratified through SDG&E's WMPs, and then overwhelmingly approved in SDG&E's TY 2024 GRC:

WMP Program	Cost Category	PD Authorized ($m)	PD % of Request Authorized	2024 GRC Authorized ($ m)[1]	GRC % of Request Authorized
Drone Inspection & Repair	O&M	$0.3	0.3%	$17.5	100%
	Capital	$11.9	9%	$8.7	100%
Data Governance	Capital	$0.0	0%	$11.7	100%
Vegetation Management & Inspections	O&M	$3.1	10%	$13.2	82%
Stakeholder Cooperation and Community Engagement	O&M	$0.0	0%	$13.2	100%
	Capital	$0.0	0%	$3.7	100%

The numbers paint a stark picture of how the PD ignores applicable law, fact, and CPUC precedent in disallowing $426 million after largely approving SDG&E's costs for the same activities in 2024-2027.

The overall approach in the PD reflects further legal error because it yields a total disallowance that is not rational under the circumstances and tantamount to a penalty. Specifically, the PD disallows 37% of SDG&E's revenue requirement request. By contrast, the CPUC disallowed approximately 17% for PG&E and SCE of their requested revenue requirement for wildfire mitigation activities.[1] The PD treats SDG&E more harshly than PG&E and SCE with respect to the same kind of wildfire-mitigation costs, without any reasonable basis for doing so. In fact, the PD disallows SDG&E's costs at a level much closer to those applied in catastrophic wildfire proceedings such as the Thomas Fire,[2] improperly penalizing SDG&E for its strong wildfire mitigation track record including 18 years without a catastrophic fire. The total extent of the disallowance of SDG&E's wildfire-mitigation costs is unjustified and unjustifiable, and reflects the extent of error that permeates the proposed decision.

The PD should be revised to authorize full recovery of the costs associated with these programs. There is a difference between reviewing specific costs and finding that a utility could have carried out

[1] D.23-02-017, D.24-12-075, D.25-09-008, D.24-03-008, D.25-06-051, D.25-06-017, D.21-01-012, D.22-06-032, Resolution E-5287.

[2] D.25-01-042 (adopting settlement authorizing approximately 44% of SCE's catastrophic wildfire costs).

programs at a lower cost (which the PD did not do) and concluding that entire programs already approved by Energy Safety and ratified by the Commission are unreasonable (which it did). The law and facts allow no basis for a wholesale denial of these costs, because they were largely incurred in furtherance of clear CPUC and Energy Safety requirements and guidance. At a minimum, any disallowances should be tailored to reflect costs associated with specific expenditures the Commission finds unreasonable.

II. The Proposed Decision Is Contrary to the Statutory and Regulatory Framework that Governs SDG&E's Wildfire Mitigation Plans and PSPS Requirements

A. The PD Violates Law, Exceeds the Commission's Jurisdiction, and Abuses Discretion Because it Conflicts with Energy Safety's Authority to Approve SDG&E's WMPs

1. The PD Directly Conflicts Applicable Law

The Commission fails to "proceed[] in the manner required by law" when it issues a decision that conflicts with governing law. (§1757(a)(2); *Ctr for Bio. Diversity, Inc. v. Pub. Util. Com.* (2025) 18 Cal.5th 293, 303–305 [describing standard of review].) The Commission violates that standard by dictating an approach to cost recovery that "contravene[s]" the applicable statute. (E.g., *So. Cal. Edison Co. v. Pub. Util. Com.* (2000) 85 Cal.App.4th 1086, 1105.) The PD here fails to "proceed[] in the manner required by law" because it squarely conflicts with SB 901 and AB 1054 (the "Wildfire Legislation").

The Wildfire Legislation established a comprehensive scheme to govern utilities' preparation, submission, and implementation of WMPs. Through those laws, the Legislature assigned to the Office of Energy Infrastructure Safety ("Energy Safety") the authority to direct the content of and "approve or deny each wildfire mitigation plan." (§8386.3(a); § 8386(c).)[3] Energy Safety also is authorized to "require modifications of the plan." (§8386.3(a).)[4] In essence, the Wildfire Legislation allows Energy Safety to require electrical corporations to take certain actions. Recognizing that these requirements

[3] Energy Safety was the relevant department "[e]ffective July 1, 2021," §326(b), when it succeeded the WSD. Energy Safety was designated as "the successor to" and "vested with" "all of the duties, powers, and responsibilities of the Wildfire Safety Division." (E.g., AB 111 (2019), Leg. Counsel Digest; Gov. Code, §15475(a)(3).) Statutory citations are to the WMP scheme as codified during the relevant 2019–2022 period, prior to the 2025 recodification enacted through SB 254.

[4] Energy Safety was also tasked with "accept[ing] comments on each plan from the public, other local and state agencies, and interested parties, and verify[ing] that the plan complies with all applicable rules, regulations, and standards, as appropriate." (§8386(d).) After approval, Energy Safety was also responsible for "oversee[ing] compliance with the plan," including issuing regular compliance reviews of each utility's WMP. (§8386.3(c), (c)(4).)

could result in additional unanticipated costs, the Legislature required the Commission to authorized memorandum accounts to track and recover reasonable incremental costs.[5]

The PD directly conflicts with that scheme because it disallows costs on the premise that certain wildfire mitigation initiatives—in their entirety—were not reasonable, despite being authorized—or in some cases ordered—by Energy Safety and ratified by the Commission. In the case of SDG&E's PSPS communications costs, the PD further contradicts Commission decisions in holding that programs were unreasonable. Through that conclusion, the PD impermissibly second-guesses the determination already made by Energy Safety at the direction of the Legislature: that the programs in SDG&E's WMPs were prudent methods to mitigate wildfire risk. The legal error in the PD is particularly demonstrated in the wholesale disallowances of costs related to drone inspections, PSPS communications and stakeholder engagement, data governance, and certain vegetation management initiatives—areas where SDG&E's approved WMPs for each of the years 2019-2022 include initiatives and targets as required by Energy Safety.[6] Yet the PD second guesses these regulatory approvals years later and disallows whole swaths of the costs of those programs, based on a conclusion that the programs were not prudent. For example, the PD finds that SDG&E failed to demonstrate the prudency of continuing the drone program after 2019, despite Energy Safety's approval of the inclusion of the drone program in the 2020-2022 WMPs.[7]

The PD also violates law by conflicting with the Commission's own guidance regarding its relationship to Energy Safety. The Commission's Memorandum of Understanding with Energy Safety provides for the two entities to "[w]ork together to develop *consistent approaches and policies*…regarding utility wildfire safety, prevention, and mitigation actions."[8] The PD's disallowance of entire program costs is inconsistent with Energy Safety's review and approval of the WMPs and thus contravenes that guidance. (See *Calaveras Tel. Co. v. Pub. Util. Com.* (2019) 39 Cal.App.5th 972, 980 [Commission failed to proceed in the manner required by law when it did not follow its own rules].)

The Commission lawfully can review the reasonableness of the costs to carry out a program included in a WMP approved by Energy Safety.[9] Hence, the Commission might have the authority, within limits,

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[5] Pub. Util. Code Sec. 8386.4. All statutory citations are to the California Public Utilities Code, unless otherwise noted.

[6] See, e.g., Exhibit (Ex.) SDG&E-T2-01R-B (Woldemariam - SDG&E 2021 WMP Update) at 120, 247 [drone inspection program and targets]; 121 [fuels management target]; 145 [Data Governance objectives]; 339 [PSPS communications]. See also Ex. SDG&E-T2-01R-C (Woldemariam - SDG&E 2022 WMP Update) at 2.

[7] PD at 92; See also PD at 91 [with respect to drone inspections, "the Commission finds insufficient evidence to support the prudency of SDG&E deploying a novel technology in the manner that SDG&E did…"]; see also, e.g., PD at 98, 108, 117.

[8] Memorandum of Understanding between the California Public Utilities Commission and the Office of Energy Infrastructure Safety (Jul. 12, 2021) at 1.

[9] See §8386.4(b)(1) ["The commission shall consider whether the cost of implementing each electrical corporation's plan is just and reasonable in its general rate case application"].

to determine that SDG&E reasonably could have accomplished the programs at lower cost.[10] But that is not the PD's approach. Instead, the PD finds that entire programs were unreasonable and in some cases should have been discontinued, despite their inclusion in an approved WMP. Those conclusions are unlawful and must be corrected.

2. The PD Impermissibly Exceeds the Commission's Jurisdiction

The Commission also errs if it "acts without, or in excess of, its powers or jurisdiction." (§1757(a)(1).) That rule underscores that the Commission is not free to regulate beyond its authority, including by intruding on a different entity's purview. (See *Santa Clara Transp. Auth. v. Pub. Util. Com.* (2004) 124 Cal.App.4th 346, 354, 357 [Commission acted in excess of its jurisdiction by asserting exclusive jurisdiction to review light rail crossings constructed by local transit district]; see also *Monterey Peninsula Water Mgmt Dist. v. Pub. Util. Com.* (2016) 62 Cal.4th 693, 695 [Commission lacked authority to review the amount of a water district's fee imposed on utility customers]; cf. *Burke v. Cal. Coastal Com.* (2008) 168 Cal.App.4th 1098, 1100–1101 [Coastal Commission acted in excess of its jurisdiction in requiring a permit to replace a coastal fence under the statutory purview of State Lands Commission].)

The Wildfire Legislation gave Energy Safety specific authority to review and approve each WMP. (§8386.3(a).) The Legislature initially granted such authority to the Wildfire Safety Division (WSD), a unit "within the commission." (§326(a).) Through AB 111, it then transferred the WSD and its associated powers and responsibilities to Energy Safety, a separate department under the California Natural Resources Agency. Energy Safety is empowered to "[o]versee and enforce electrical corporations' compliance with wildfire safety." (§326,(b).) Energy Safety embodies the Legislature's intention to "establish an Office whose sole mission is utility safety, so that the focus on safety is not reduced by other competing priorities of any agency or local board." (Assem. Com., Analysis of AB 1156 (2021) at 6.)

Thus, the Legislature designed Energy Safety as an agency separate from the Commission to review and approve wildfire mitigation plans and the programs therein. The PD would trample on that design by essentially disapproving programs that Energy Safety reviewed and approved through the statutorily-required WMP process. The Commission, by adopting the PD, would encroach on Energy Safety's authority in excess of its own jurisdiction.

[10] The Commission's authority in this regard is limited. The Commission could not, for example, find costs unreasonable if doing so makes it impractical for the utility to fulfill its obligation to carry out programs in an approved WMP. Moreover, to the extent the utility's expenditures are within the budget set forth in the WMP, those expenditures are at least presumptively reasonable. As noted below, a utility's failure to expend the budgeted amount could itself create a compliance issue. (See §8386.3(c)(2)(B)(i).)

3. The Disallowances in the PD Constitute an Abuse of Discretion

The Commission also errs if it adopts a decision that "[i]s an abuse of discretion." (§1757(a)(5).) "If an agency decision is shown to be 'arbitrary' or to 'exceed[ ] the bounds of reason,' an abuse of discretion will be found." (*Ponderosa Tel. Co. v. Pub. Util. Com.* (2019) 36 Cal. App. 5th 999, 1019 [citing *San Pablo Bay Pipeline Co. LLC v. Pub. Util. Com.* (2013) 221 Cal.App.4th 1436, 1460; §1757(a)(5)].) An agency acts arbitrarily, and abuses its discretion, when it issues a decision that runs "contrary to the basic principle of utility rate setting"—i.e., "to establish a rate which will permit the utility to recover its cost and expenses plus a reasonable return on the value of property devoted to public use." (*City and Cty. of SF v. Pub. Util. Com.* (1971) 6 Cal.3d 119, 129 [*CCSF*].) The Commission has described this principle as the "regulatory compact" between utility investors and ratepayers: utilities "accept the obligation to serve and charge regulated cost-based rates" in exchange for the opportunity to recover their "actual legitimate or prudent costs" plus a fair rate of return on invested capital. (D.20-01-002 at 10; see § 451 [describing utility ability to recover "just and reasonable" "charges," and utility obligation to "furnish and maintain" "just, and reasonable service"].) "Under this system an increase in a cost item will ordinarily be reflected as an increase in [ ] rates." (*CCSF*, *supra*, 6 Cal.3d at 123.)

A utility's legitimate and prudent costs include the costs of complying with express regulatory obligations, and the Commission routinely allows utilities to recover such costs in general rate cases pursuant to the regulatory compact. (See, e.g., D.19-09-051 at 79–80 [approving GRC cost recovery for SDG&E's "code compliance" program, described as "funding for upgrades and additions to facilities to maintain compliance with minimum federal and state safety standards for gas pipelines"]; *id.* at 444 [approving GRC cost recovery of fees "for compliance with AB 32"].)

The PD contravenes this regulatory compact—that is, it unjustifiably reverses the expectation of regulated utilities that they can recover the reasonable costs of actions required by statute and regulation. The wildfire mitigation programs addressed in the PD were developed to satisfy statutory requirements, and were included in WMPs that were (at the Legislature's express direction) approved by Energy Safety and ratified by the Commission. Yet the blanket disallowances in the PD are founded on the premise that the programs themselves were unreasonable, unwise, or unnecessary. That reasoning and outcome is an abuse of discretion.

B. The PD Conflicts with the Commission's Own Prior Decisions, Namely the Commission's Ratification of SDG&E's WMPs

The Commission also does not proceed in the manner required by law (§ 1757(a)(2)) when it fails to act in a manner consistent with its own prior actions and guidance. (See *Calaveras Tel. Co. v. Pub. Util.*

Com., *supra*, 39 Cal.App.5th at 980 [Commission "failed to proceed in the manner required by law and abused its discretion because its resolution and decision do not conform with" its own prior decision]; *So. Cal. Edison Co.*, *supra*, 85 Cal.App.4th at p. 1105 ["PUC's actions appear to contravene its own general order" and therefore cannot stand]; see also *So. Cal. Edison Co. v. Pub. Util. Com* (2006) 140 Cal.App.4th 1085, 1106 [Commission failed to proceed in the manner required by law when it violated its own previously-issued rules].)

The PD violates law by conflicting with the Commission's prior ratification of SDG&E's WMPs. The Legislature required the Commission to ratify Energy Safety's approval of a utility's WMP. (§8386(a).) And the Commission did so: In individual resolutions, it ratified the approval of each of SDG&E's WMPs for the relevant timeframe, and expressly found that the WMPs served the statutory scheme. (Res. WSD-005 [ratifying SDG&E's 2020 WMP] at 3 (June 19, 2020); Res. WSD-019 [ratifying SDG&E's 2021 WMP update] at 3 (July 20, 2021); Res. SPD-1 [ratifying SDG&E's 2022 WMP update] at 2 (Aug. 26, 2022).)[11] The PD recognizes that the Commission ratified SDG&E's WMPs and characterizes the plans as "Commission-approved." (PD at 19, 25.) Despite those prior approvals, the PD disallows costs on the theory that SDG&E has not shown that the programs within the WMP were prudent. Similarly, the PD disallows costs for capital asset repairs necessary to achieve compliance with standing Commission General Orders and PSPS communications required by Commission decisions, again directly contradicting its own rules.

Given that background, the PD also reflects arbitrary and capricious decision-making. An administrative agency's action is arbitrary and capricious if the agency changes its settled course of behavior without "display[ing] awareness that it is changing position" and "show[ing] that there are good reasons for the new policy," including reasons for "disregarding facts and circumstances that underlay … the prior policy." (*Encino Motorcars, LLC v. Navarro* (2016) 579 U.S. 211, 221–222; see also *Sims v. Dept. of Corr. & Rehab.* (2013) 216 Cal.App.4th 1059, 1075 [administrative action was invalid for failure to explain policy choice].) The inconsistency between the Commission's ratification decisions and the disallowances in the PD is thus arbitrary and capricious: it displays no awareness of the reversal of course, and provides no reasoning to justify it.

The PD disallowances similarly are inconsistent with the Commission's prior decision in SDG&E's 2024 GRC. The PD disallows WMP programs that were overwhelmingly approved, and authorized for 100% recovery, in SDG&E's 2024 GRC—including drones, data governance, vegetation management

[11] The Commission's 2020 resolution, for example, "analyze[d] the extent to which SDG&E's wildfire mitigation efforts objectively reduce wildfire risk, drive improvement, and act as cost effectively as possible," and then ratified the approval of the WMP. (Res. WSD-005 at 2.) The resolution found that the WMP "contain[ed] all the elements required by" (§8386(c).) (*Id.* at 53.)

and inspections, and stakeholder cooperation and community engagement costs. The PD now disallows 37% of SDG&E's revenue requirement request, without recognizing the inconsistency, nor explaining what has changed or why a disallowance of that scope is appropriate. That too reflects the arbitrariness of the PD and shows that it must be revised.

C. The PD Violates SDG&E's Due Process Right

The Legislature prescribed specific mechanisms to hold electrical corporations accountable for failure to comply with *and fund* WMPs. Following approval of a WMP, the Legislature requires a multi-part assessment and audit of WMP compliance, including self-evaluation, evaluation by an independent auditor, and performance reviews by Energy Safety. Importantly, during the relevant timeframe, this compliance review was not only limited to whether the utility performed the activities and initiatives described in the WMP, but also whether the utility funded those activities consistently with the forecasts in the WMP. "As part of the independent evaluator's report," the evaluator was required to "determine whether the electrical corporation failed to fund any activities included in its plan." (§8386.3(c)(2)(B)(i).)[12] It was then mandatory for Energy Safety to consider the evaluator's (non-binding) findings in preparing its own compliance report. (§8386.3(b)(2)(B)(ii).)

The Commission was also *required*, during this time period, to "assess penalties on an electrical corporation that fails to substantially comply with its plan." (§8386.1.) The Commission's Safety and Enforcement Division recently exercised that authority, issuing a proposed Administrative Enforcement Order that would require PacifiCorp to pay a fine exceeding $27 million, in part as a consequence for the alleged failure to comply with its 2020 WMP targets.[13]

A utility's failure to have and to implement an approved WMP carried additional severe consequences, even beyond the risk of penalties. WMP implementation was an integral component of the safety certification process foundational to the necessity of AB 1054. To obtain a safety certification, a utility must confirm and document that it is "implementing its approved [WMP]." (§8389(e)(1), (7).) A valid safety certification is critical to the utility because it gives rise to a presumption of prudence in an application to recover costs arising from a covered wildfire. (§451.1(b).) A valid safety certification is also a prerequisite for a utility to access the cap on reimbursement of the Wildfire Fund. (§3292(h)(2), (h)(3)(B).) Given the nearly existential importance of the safety certification for the large IOUs post AB 1054, it would be unreasonable for a utility to chance loss of its safety certification by failing to substantially comply with and fund its approved WMP.

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[12] This language was removed by SB 254 (2025).
[13] See H.25-07-005, Compliance Filing of SED (July 17, 2025).

The PD violates SDG&E's due process rights because it disallows costs for programs that SDG&E was required to implement. Regulatory action violates due process when a regulated party faces a sanction without fair notice. (See *FCC v. Fox Tel. Stations* (2012) 567 U.S. 239, 253 [due process violation if penalty is based on "failure to give fair notice … of what is forbidden or required"]; *Satellite Broad. Co. v. FCC* (1987) 824 F.2d 1, 3 [due process violation if procedural sanction is based on rule without "adequate notice of the substance of the rule"]; see *Kerman Tel. Co. v. Pub. Util. Com.* (2023) 94 Cal.App.5th 920, 932.) "[R]egulated parties should know what is required of them so they may act accordingly" (*FCC*, 567 U.S. at 253); they cannot be required "to divine the agency's interpretations in advance or else be held liable," particularly where their "past actions . . . were taken in good-faith reliance on [agency] pronouncements" (*Christopher v. SmithKline Beecham Corp.* (2012) 567 U.S. 142, 157–159).

Here, SDG&E incurred costs to implement programs included within WMPs approved by Energy Safety and ratified by the Commission. SDG&E was legally obligated to implement those programs and faced severe adverse consequences for noncompliance. SDG&E now faces substantial disallowance of those costs—in effect, a sanction—although it had no "fair notice" that such disallowance could follow from a retrospective reevaluation of the reasonableness of already-approved programs; yet another reason why the PD should be revised.

D. The PD's Approach to Cost-Effectiveness Is Contrary to Law

The approach in the PD also fails to proceed in the manner required by law because it disallows costs based on cost-effectiveness standards that were issued or adopted *after* SDG&E incurred those costs in the 2019-2022 timeframe. The PD holds SDG&E to a rigorous standard of "implement[ing] its approved WMP in the *most cost-effective way possible*, with utility management applying its judgment to determine the most resource effective and cost-efficient ways to accomplish WMP goals." (PD at 19, italics added.)

Those standards align with principles that the Commission articulated in D.22-12-027, which it issued *on December 21, 2022*, addressing its Risk-Based Decision-Making Framework (RDF). That decision introduced a new "Cost-Benefit Approach, which expresses risk [c]onsequences in dollar values and provides an indication of the cost-effectiveness of proposed mitigations." (*Id.*, at 2, 12.) The decision required the three investor-owned utilities to implement that "modified RDF" starting with GRC and other filings *in 2024*. (*Id.*, at 2.) By retroactively addressing costs incurred in 2019-2022 through a rubric that invokes cost-efficiency concepts (like "risk benefit cost ratios" and "risk spending efficiency") (PD at 93-94) that sound in and draw from the later-issued RDF decision (D.22-12-027), the PD fails to comply with its own precedent and proceeds in a manner contrary to law.

The cost-efficiency principles applied by the PD similarly reflect legislation that was codified *in 2025* and, by contrast, are in tension with the statutory guidance that applied in 2019-2022. At the time these costs were incurred, SDG&E was required to pursue programs through its WMP "*to minimize* the risk of its electrical lines and equipment causing catastrophic wildfires" and "achieve the *highest* level of safety, reliability, and resiliency…" (§8386(c)(3), (c)(14), italics added.) The Commission also advised at the time that the "metrics" used to evaluate WMPs "should focus on the success of mitigation at lowering the risk of catastrophic wildfires," rather than the maximization of risk-reduction per dollar spent. (D.19-05-036 at 2–3.) And when SDG&E engaged an independent evaluator to review its WMP compliance, that evaluator was specifically required to "determine whether the electrical corporation failed to fund any activities included in its plan," measured against SDG&E's forecasted WMP costs, regardless of any measure of cost efficiency. (§8386.3(c)(2)(B)(i).)[14]

In 2025, the Legislature adopted SB 254, which shifted the prioritization towards cost-effectiveness, requiring utilities to "tak[e] into account the cost and time required to achieve those [safety, reliability, and resiliency] benefits." (§8386(c)(14); *id.* [requiring utility to "present the cost-efficiency measures adopted by the commission" in its "most recent risk-based decisionmaking framework proceeding[] for at least two reasonable mitigation alternatives for a given identified wildfire risk"]; §8386(c)(12) [list of wildfire risks must include "[a]n estimate of cost-per-avoided ignition for each risk, or an explanation on why such a value could not be assigned to a particular risk"].) As noted above, the Legislature also removed the mandate that the independent evaluator "determine" whether the utility "failed to fund any activities included in its" WMP. (§8386.3(c)(2)(B).) When the Legislature amends a statute, it is presumed that amendment effects a change. (See *Dalton v. Baldwin* (1944) 64 Cal.App.2d 259, 264 ["[A]n amendment to a prior act amounts practically to a demonstration of legislative intent to change the pre-existing law"].) The explicit elevation of cost-efficiency in SB 254 reflects an intended change from the prior regime. The PD contravenes the law by giving disproportionate emphasis to after-the-fact legislative direction on cost-efficiency—specifically, by demanding that SDG&E implement its WMP in the "most cost-effective way" even though the statute did not require it at the relevant time. (PD at 19.)

The PD also is internally inconsistent in its emphasis on cost-effectiveness. To be sure, the Commission can and should consider cost effectiveness as one of many factors when assessing the reasonableness of costs. And SDG&E demonstrated that it kept cost efficiency in mind when adopting

[14] See also WSD Guidance on Engagement of Independent Evaluators Pursuant to Public Utilities Code §8386.3 (Apr. 6, 2021), p. 3 ["[T]he [independent evaluator] shall determine whether the electrical corporation failed to fund any activities included in its WMP (§8386.3(c)(2)(B)(i))" using "available financial audit reports and memorandum accounts," including the WMP Memorandum Account.].

wildfire mitigation strategies.[15] The PD recognizes that "the reasonableness of any cost may be influenced by other factors" and "the analysis cannot necessarily stop if one factor is not provided, particularly if other factors are more significant."[16] "For example, some initiatives . . . are mandated by regulation" or "based on functional or operational considerations."[17] Other Commission decisions also recognize that cost-effectiveness alone does not dictate cost recovery.[18] Yet the PD ultimately disallows costs based solely on claimed cost inefficiency—even though competing factors reasonably supported a different outcome, in particular that the costs satisfied SDG&E's approved WMPs and the need for expeditious wildfire risk reduction. This contradictory approach reinforces that the PD contravenes both legislative and regulatory guidance.

III. The PD Should Be Revised to Authorize Cost Recovery for Critical Wildfire Mitigation Programs, Rather Than Disallow the Costs Based on Legal and Factual Errors

A. The PD Errs by Denying All Costs of SDG&E's Acclaimed Drone Inspection and Repair Program, Including Costs Associated with Required Repairs

The PD blatantly errs in denying 100% of costs for SDG&E's Drone Investigation, Assessment and Repair (DIAR) program, and in inexplicably disallowing 100% of the costs necessary *to repair all risk issues* identified through the drone inspections.[19] The PD contravenes applicable legal requirements because it disallows costs for programmatic inspections and repairs that were required to comply with regulatory requirements, approved by Energy Safety, and highly effective and efficient. The PD also misapplies the prudent manager standard by requiring perfection rather than reasonableness. And the PD is arbitrary and capricious because it is not based on rational reasoning, but invokes an irrational and erroneous comparison to PG&E's costs.

<u>First</u>, the PD disallows *remediation costs* that were included in this cost category—even though such costs were required to repair infrastructure issues presenting clear fire risk and to ensure compliance with General Order 95, in addition to other requirements. That approach conflicts directly with the utility's obligations under law and regulation. It also conflicts with the regulatory compact by disallowing costs required to fulfill those obligations. At an absolute minimum, the PD must be corrected to allow recovery of the capital ($66.6 M) and O&M ($69.5 M) costs that are entirely related to necessary repairs resulting from the inspections.

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[15] *See*, SDG&E OB at 20-27. ("Analyzing the cost effectiveness and risk reduction of SDG&E's WMP initiatives was also a required key component of SDG&E's WMP submissions." [Ex. SDG&E-T2-06 (Woldemariam) at 9]).
[16] PD at 22.
[17] PD at 23.
[18] *See* D.24-12-074 at 49, 52 (explaining that Risk Spend Efficiency values "are one factor among many that Sempra Utilities may use to select its mitigation strategy").
[19] Similar disallowances to capital repairs resulting from Detailed Inspections of Distribution Equipment, HFTD Tier 3 Inspections, and Patrol Inspections must also be corrected.

Second, as previewed above (Part II.A), the PD disallows costs despite the fact that, pursuant to statute, Energy Safety approved and the CPUC ratified specific targets and costs for drone inspection programs, which SDG&E was required to meet annually. SDG&E's WMPs extensively detail the costs and the development of the drone program.[20] In its action statement on SDG&E's 2021 WMP Update, the CPUC specifically recognized the "progress" made in the drone programs to supplement existing inspections and cited how drone imagery and capabilities were being explored to lower PSPS restoration times.[21] In approving these programs and the associated targets and costs, the CPUC established a compliance obligation to complete the work; that was reaffirmed by §8386.3, which further required an independent evaluator to review whether the electrical corporation "*failed to fund* any activities included in its plan." (§8386.3(c)(2)(B)(i).) SDG&E's failure to comply with its funding and implementation targets—or a decision to completely stop the program as envisioned by the PD—would have jeopardized SDG&E's safety certification and exposed it to significant regulatory risk.

Third, the PD misunderstands the significance of the drone inspection program, which responded to the pressing need for SDG&E to develop a comprehensive understanding of system status, particularly in high fire risk areas. Drone inspections compared favorably to alternatives, principally because they identified issues that other inspections could not; whereas the PD errs in stating that SDG&E did not consider alternatives to the drone program. Traditional inspections of these assets were sometimes impossible or not cost-effective, as many of the poles and wires in SDG&E's High Fire-Threat Districts (HFTDs) are in remote or sometimes inaccessible areas.[22] Alternatives such as helicopters would require low-altitude operations, creating significant noise and dust impacts. Further, helicopters failed to offer sufficient image quality, a fact similarly noted by PG&E in terminating most helicopter inspections in lieu of drones.[23] Additionally, bucket trucks would require physical access to each pole, which would be resource intensive, time-consuming, environmentally impactful and operationally impractical. SDG&E also performed LiDAR surveys and infrared inspections to understand their efficacy; these did not prove as useful in identifying damaged infrastructure.[24] Drones offered superior efficiency and precision while minimizing environmental disruption, making them an optimal solution for asset inspections.

Drone inspections proved efficient and effective. Drones were able to alert SDG&E to a high volume of issues that were invisible from the ground, such as loose hardware and hollowed poles. The figures

[20] *See, e.g.* Ex. SDG&E-T2-01R-B (Woldemariam - SDG&E 2021 WMP Update) at 248-250.
[21] WSD Action Statement on SDG&E 2021 WMP Update at 47, 61.
[22] *See* SDG&E 2021 WMP Update (February 5, 2021) at 142, 247.
[23] PG&E 2023 WMP at 1087-1088 (Noting PG&E's conclusion that "the drone only method is the most promising [among drone only, helicopter, and drone plus inspector] for aerial inspections in the near term.")
[24] SDG&E completed its LiDAR analysis of the HFTD in 2022 and this initiative was discontinued in 2023. *See* SDG&E 2023 WMP Update at 217. Infrared inspections yielded limited findings. *Id.* at 196.

below demonstrate how an elevated perspective of electrical assets can significantly improve the identification of potential fire hazards (classified as High-Priority Infractions) such as damaged conductors, crossarms, arrestors, insulators, or dead-ends that may not be visible through standard asset inspections, particularly in areas with challenging terrain or dense vegetation where ground inspections are difficult or unsafe.

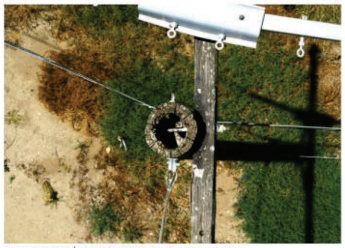

Figure 1: P110290, 6/25/2020, Hollow Pole Top

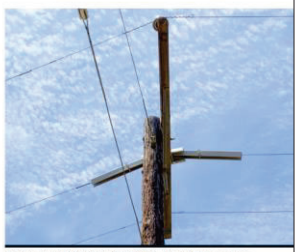

Figure 2: P110290, 6/25/2020, View from below

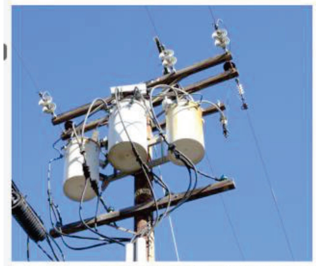

Figure 6: P283191, 1/3/2022, No visible issue

ure 5: P283191, 1/3/2022, Bolt coming out

The efficacy of a comprehensive inspection strategy for all distribution assets in the HFTD was further demonstrated by the high rate of findings in the drone program's early years. On average from 2019-2022, drones identified 28% more potential fire hazards than traditional inspections.[25] High Priority Infractions discovered through the drone program could easily have resulted in failure and ignition, with estimated potential wildfire costs averaging approximately $855 million based on the location of the infractions from 2019-2022.[26] The effectiveness of SDG&E's comprehensive effort to inspect and repair all HFTD distribution lines between 2019-2022 is also seen in the reduced rate of issues post-program and SDG&E's ability to cost-effectively tailor the program in a risk-based fashion, fostering safe operations and reducing long term costs.

Year	Drone Inspection Issue Find Rate	Traditional Corrective Maintenance Program (CMP) Detailed Distribution Inspection Find Rate
2019	30%	9.2%
2020	30%	4.9%
2021	38%	2.9%
2022	35%	3.3%
2023	28%	3%
2024	13%	4%

[25] *See, e.g.* Ex. SDG&E-T2-01R-C (Woldemariam - SDG&E 2022 WMP Update) at 262; SDG&E 2023 WMP at 153 (noting the then-calculated 25% figure).

[26] Wildfire consequence values were calculated using Technosylva's 2025 estimates for acres burned and structures destroyed under 24-hour unsuppressed fire simulation scenarios. These simulations were conducted for selected days between 2013 and 2025 when extreme fire weather conditions were present, ensuring that the estimates reflect high-risk scenarios consistent with historical patterns of severe wildfire behavior. Dollar conversion factors for structures destroyed and acres burned estimates are detailed in SDG&E's 2026–2028 WMP. Available at https://www.sdge.com/sites/default/files/regulatory/SDG%26E_2026-2028_Base-WMP_R2.pdf.

Drone imagery also plays a critical role in SDG&E's situational awareness and PSPS decision-making. Automated visibility of assets enables SDG&E to prioritize repair and replacement activities, including during the critical days leading up to potential de-energization events. In addition, this intelligence supports dynamic adjustments to base alert wind speed thresholds for specific circuit segments during PSPS events. This surgical approach empowers data-driven operational decisions that minimize customer impacts while maintaining system safety and reliability.

Fourth, the PD is arbitrary because it relies on irrational reasoning. Agency action is "arbitrary" when it is "not supported by a fair or substantial reason." (*W. Oil & Gas Assn. v. State Lands Com.* (1980) 105 Cal.App.3d 554, 565.) Legitimate administrative action "must include an adequate statement of basis" and "demonstrate[] a rational connection between" the "relevant factors, the choice made, and the purposes of the enabling statute." (*Cal. Hotel & Motel Assn. v. Indus. Welfare Com.* (1979) 25 Cal.3d 200, 212–213.)

The PD fails that standard because it disallows costs based on an apples-to-oranges comparison with PG&E's drone program inspection costs, which inaccurately concludes that SDG&E's drone inspection program costs 10 times more than PG&E's. But the PG&E costs reflect only the O&M for inspection of the individual pole and not during the same years at issue. SDG&E's program includes both the O&M pole inspection[27] *as well as the capital and O&M repairs*—which are reflected elsewhere in PG&E's cost tracking but are not recognized in the PD. The comparison also simply misstates SDG&E's average inspection cost/pole, which is in fact approximately $788 from 2019-2022.

Additionally, the PD improperly compares SDG&E's drone costs for 2019–2022 to PG&E's costs for 2022 only. PG&E's drone inspection costs for distribution lines in 2022 did not represent a comprehensive program, as it was limited to a drone-only inspection pilot of only 5,938 distribution poles.[28] The PD also incorrectly uses the $186/pole cost for drone only capture instead of the $311 per structure cost that included drone plus inspector,[29] which was the methodology SDG&E employed for inspections performed in 2021 and 2022. Furthermore, the PD's comparison ignores the reality of operationalizing new technology (i.e. drones), which frequently involves design refinement and improved efficiency over time, and is reflected in SDG&E's lower cost per pole in 2022 and continued

[27] The unit rates are inclusive of all O&M costs incurred in support of both inspections and repairs, such as drone pilots, aviation/flight Planning, inspector labor, Security and Safety Support, Customer Outreach, Environmental and Land support, Tribal Monitors, engineering, construction, management, software, data processing and data storage. In fact, of the $137 million of O&M costs, $5.2 million or ~ 4% was spent on data processing, data storage, inspection software and work management systems.

[28] PG&E 2023 WMP at 494.

[29] *Id.* At 1096. *See* A.23-06-008, Ex. PG&E-01 and Ex. PG&E-06. Further aspects of PG&E's drone program costs, such as technology requirements, also remain unclear.

costs decreases to date, with current costs per pole that are lower than PG&E's at approximately $125. The asserted comparison between SDG&E's and PG&E's costs is particularly arbitrary because it was first introduced in the PD based on facts outside the record, via citation to PG&E's 2022 drone program costs. The Commission by statute is required to "render its decisions based on … the evidence in the record." (§1701.1(e)(8).) Courts have frequently disapproved agency determinations based on extra-record material.[30] Here, the comparison also is unfair and denies due process because it was not introduced until the PD, leaving SDG&E with no opportunity to refute the error.

<u>Fifth</u>, the PD misapplies the prudent manager standard by disallowing costs of a program that was widely recognized as effective (including in comparison to alternatives, as described in detail above). The prudency standard is designed to evaluate whether requested costs meet the "just and reasonable" statutory requirement under §451. The standard is not one "of perfection,"[31] and the Commission "do[es] not evaluate reasonableness based on hindsight."[32] Rather, a utility must show that it exercised "reasonable judgment in light of facts known or which should have been known at the time the decision was made."[33]

The PD applies an unrecognizable version of this standard that disallows costs of the drone program, even though SDG&E's leadership in pioneering a comprehensive drone inspection program has repeatedly been recognized by regulators[34] and the industry. In particular, the PD concludes that SDG&E should have terminated the program after 2019.[35] But that is contrary to consistent regulatory approval of and praise for the drone program, throughout the 2019-2022 period and continuing on to today. For example, in 2021, the CPUC WSD noted SDG&E's use of drones to augment existing inspection programs as an area of success.[36] In approving SDG&E's 2022 WMP, Energy Safety praised SDG&E's ongoing "successful" use of drones "with a relatively high find rate,"[37] noting the program "led to a 62 percent reduction in issues found in subsequent Corrective Maintenance Program inspections in 2021 in the Tier 3 HFTD, even with a 20 percent increase in distribution pole

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[30] (E.g., *Ohio Bell Tel. Co. v. Pub. Util. Com. of Ohio* (1937) 301 U.S. 292, 300 [denial of due process "when rates previously collected were ordered to be refunded upon the strength of evidential facts not spread upon the record"]; cf. *TURN v. PUC* (2014) 223 Cal.App.4th 945, 949, 966 [reversing a Commission finding based on uncorroborated, extra-record hearsay statements, the truth of which was disputed, where "the remaining evidence in the record fails to support the Commission's finding"].)
[31] PD at 34 (citing D.14-06-007).
[32] D.22-06-032 at 18.
[33] D.90-09-088, COL 1, 1990 Cal. PUC Lexis 847 at *300.
[34] D.24-12-074 at 6, 486 (noting "[o]ther improvements adopted in this decision include … drones to inspect electric lines" and approving SDG&E's uncontested drone inspection and repair forecasts).
[35] PD at FOF 11; COL 8.
[36] WSD Action Statement on SDG&E's 2021 WMP at 46.
[37] 2022 WMP Approval at 3.

inspections."[38] Energy Safety also highlighted the success of SDG&E's maturity in asset management and inspections, demonstrated by a decrease in wire down events and ignitions in the HFTD.[39] SDG&E's independent evaluator also highlighted the benefits of the drone program in significantly expanding the volume of initiative performance it was able to verify through SDG&E obtained images in 2021,[40] and noted that "[b]y continuing to build its imagery library, *SDG&E is investing in an asset that can pay dividends in operational and safety efficiencies for years to come*."[41] The PD applies an irrational standard of perfection, based on impermissible second-guessing, by declaring in 2025 that SDG&E should have terminated its celebrated drone program in 2019.

The PD also assumes that, under the prudent manager standard, a utility somehow is unreasonable when it seeks to develop and improve new technology; instead, it should "adopt [new technology] only when it [i]s proven to be ready."[42] That is a backward approach to innovation that also assumes the highest level of risk mitigation can wait. In the same vein, the PD fails to take into account post-2020 developments, which is the same erroneous approach that Protect Our Communities Foundation (PCF) has used throughout this proceeding. SDG&E's 2021 WMP shows how SDG&E improved and refined the drone program over time—for example, utilizing intelligent image processing to perform QA/QC of inspections improving the accuracy and effectiveness of the program in mitigating wildfire risks.[43] SDG&E also began pairing pilots with Qualified Electrical Workers to "get the cost savings of reducing manpower and the benefit of having a trained individual to observe the pole in the field."[44] Other refinements, such as reduced images per pole and a transition in scope to a cycled risk-based approach, have allowed SDG&E to continue realizing the benefits of an initial comprehensive approach to all poles, leading to lower long-term costs and ongoing risk reduction and situational awareness. SDG&E also pioneered drone technology and has shared best practices with other utilities around the country, facilitating the adoption of this technology as an industry standard. No defensible version of the prudent manager standard justifies disallowing SDG&E's costs to develop this cost-effective and highly impactful risk reduction program.

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[38] *Id.* at 18.
[39] *Id.* at 57.
[40] SDG&E 2021 IE Report on Compliance at 9.
[41] *Id.* at 89–90 (emphasis added).
[42] PD at 91.
[43] *See, e.g.* Ex. SDG&E-T2-01R-B (Woldemariam - SDG&E 2021 WMP Update) at 248-250.
[44] *Id.* at 250.

B. The PD Errs By Denying All Costs of SDG&E's PSPS Communication and Stakeholder Engagement, Which Were Necessary to Satisfy Commission Requirements

The PD denies all costs of SDG&E's stakeholder cooperation and community engagement, which supported PSPS communications that were necessary to comply with the Commission's guidance in the PSPS Order Instituting Rulemaking (OIR). The denial of costs rests on a legal error (denying costs incurred to comply with regulatory mandates) and an embedded factual error (wrongly assuming that all costs arose from the Alerts by SDG&E app). It also misapplies the prudent manager standard by second-guessing expenditures that were reasonably incurred at the time to meet stringent regulatory requirements.

First, the PD conflicts with law because it denies costs incurred by SDG&E that were necessary to implement CPUC PSPS communications requirements. In the PSPS OIR, R.18-12-005, the Commission imposed mandates on IOUs regarding community relations and stakeholder emergency communications.[45] Among the "[o]verarching guidelines" imposed by the Commission was that "[c]ustomers should understand the purpose of [PSPS], the electric investor-owned utilities' process for initiating it, how to manage safely through a de-energization event, and the impacts if deployed."[46] To that end, IOUs were required to "develop notification and communication protocols and systems that reach customers no matter where the customer is located and deliver messaging in an understandable manner," "communicate to customers in different languages and in a way that addresses different access and functional needs using multiple modes/channels of communication," and "engage in a statewide public education and outreach campaign" to "convey, in advance of wildfire season, the immediate and increasing risk of catastrophic wildfires and how to prepare for them, the impacts of de-energization, how the public can prepare for and respond to a de-energization event, what resources are available to the public during these events, what to do in an emergency, how to receive information alerts during a power shutoff, and who the public should expect to hear from and when."[47]

The PSPS costs denied by the PD were incurred by SDG&E to satisfy those regulatory mandates. The PD factually errs by concluding that all costs under the PSPS Communication and Stakeholder Engagement category are solely associated with the Alerts by SDG&E App. That error was based on unsubstantiated statements by Cal Advocates, which were clearly refuted by SDG&E's evidence.[48] But as demonstrated throughout the record,[49] the costs in this category represent the entirety of SDG&E's

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[45] *See* D.19-05-042, Appendix A.
[46] D.19-05-042, Appendix A at A1.
[47] D.19-05-042, Appendix A at A1–A2.
[48] SDG&E Reply Brief (October 10, 2024) at 44; Ex. SDG&E-T2-06 (Woldemariam) at 35-36.
[49] Ex. SDG&E-T2-06 (Woldemariam) at Section VI.B.1.

efforts to implement PSPS preparedness, community relations, and stakeholder communications, as mandated by the PSPS OIR; the App development costs are merely a subset.

The PD thus disallows several programs without addressing them at all, including $3.9 million associated with SDG&E's Public Safety Partner Portal, implemented to satisfy the OIR requirement that IOUs "shar[e] consistent information with public safety partners,"[50] and $2.2 million associated with its Emergency Notification System enhancements, implemented to satisfy the IOUs' responsibility to develop notification programs that integrate with the state emergency management framework.[51] Much of the disallowed O&M costs similarly supported requirements imposed in the PSPS OIR regarding communication, community engagement, and public awareness. For example, over $20.5 million of the disallowed O&M costs are for mass media advertising, social media, and mass market campaigns designed to broadly prepare communities for PSPS. Additional resources fund the creation of outreach materials, direct-mail campaigns, and SDG&E's Access and Functional Needs (AFN) support efforts, including translation of PSPS materials and notifications in all required languages, another direct mandate imposed in the PSPS OIR.[52] Disallowing these costs would directly conflict with the regulatory mandates imposed in the PSPS OIR that these costs were incurred to satisfy, and would violate the regulatory compact.

<u>Second</u>, the costs that *are* associated with the Alerts by SDG&E app also were prudent and should be authorized for recovery. Even Cal Advocates' workpapers clearly established that only a limited portion of the disallowed $15 million in capital and $31 million in O&M are tied to the Alerts App.[53] Those costs, too, were developed to comply with clear CPUC guidance that IOUs endeavor to notify all individuals impacted by a PSPS event—including those who are not SDG&E customers and for whom SDG&E does not have contact information. That can encompass visitors, behind-the-meter customers, and residents who are not the electrical account holder.[54] As explained in D.19-05-042, SDG&E has the primary burden of initial PSPS notifications, with the "goal that local governments provide supplemental or secondary notifications."[55]

The PD's determination that the Alerts application was not reasonable relies on hindsight. At the time when SDG&E assessed its options to accomplish the broad notification strategy mandated by D.19-

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[50] D.19-05-042, Appendix A at A3.
[51] D.19-05-042, Appendix A at A9.
[52] *See* D.19-05-042, Appendix A at A1, A3.
[53] Ex. SDG&E-T2-06 (Woldemariam) at 39 (citing CA-02-WP ["A2205016 Public Advocates Office (Quam) Direct Costs Part 1 of 2) at tabs "App Development – Capital" and "App Development – O&M."])
[54] As part of these outreach efforts, each electric IOU must offer individuals the option to receive notifications regardless of whether they are an account holder. (D.21-06-034, Appendix at A9.)
[55] D.19-05-042, Appendix A at A15 – A16 and A1.

05-042, a public App offered both accessibility and cost efficiency. SDG&E did communicate with and seek feedback from local governments, Access and Functional Needs support resources such as 211, and customers regarding PSPS notification strategies (*contra* PD at 116).[56] But the county's own alerts system was not designed for PSPS messaging (as PSPS is not considered an emergency by first responders).[57] And the Commission itself noted that "[s]upplemental notification does not supplant the electric IOUs' responsibility to provide notification to all customers."[58]

SDG&E therefore reasonably acted to comply with D.19-05-042 and implement a further resource to broadly reach "customers no matter where the customer is located and deliver messaging in an understandable manner."[59] The PD's determination that costs associated with the Alerts app should not be recovered because the app did not yield cost savings disregards the regulatory obligations that governed SDG&E's decisionmaking at the time. It also fails to tether the disallowance to costs related to the App,[60] or recognize that the app strategy was reasonable to satisfy Commission-imposed requirements. All costs in this category should be authorized.

C. The PD Errs By Denying All Costs of SDG&E's Data Governance and Risk Assessment Costs, Which Supported Statutory and Regulatory Reporting Requirements

The PD again legally and factually errs in denying the entirety of SDG&E's data governance and risk assessment methodology costs, which it does despite the lack of a specific objection by any party.[61] First, the costs were incurred to support the wildfire mitigation plan framework, including the WMP Enterprise Asset Management Platform, WMP WSD Data Schema, WMP Electric Distribution Asset Investment Prioritization, WMP Advanced Analytics, and WMP Data Foundation and Reporting. These tools all were developed in direct response to Data Guidelines requirements set forth by the WSD and the Office of Energy Infrastructure Safety (OEIS). Contrary to the PD's assertion that SDG&E performed this work because "it could be efficient and reasonable to automate the collection of wildfire

[56] *See, e.g.* Ex. SDG&E-T2-01R-C (Woldemariam - SDG&E 2022 WMP Update) at 2, 344-345, 363.
[57] Ex. SDG&E-T2-06 (Woldemariam) at 36.
[58] D.19-05-042, Appendix A at A9.
[59] *Id.* at Appendix A at A1; see also, *id*. at A9, stating "immediately begin working with the Cal OES and local governments to develop their notification programs such that, wherever possible, the utilities' notification processes integrate into the Standardized Emergency Management System Framework, with the goal that local governments provide supplemental or secondary notification in the near future based upon pre-designed templates and scripts developed by the utilities in coordination with relevant state and local agencies. Supplemental notification does not supplant the electric IOUs' responsibility to provide notification to all customers."
[60] SDG&E Reply Brief at 3.
[61] SDG&E Opening Brief (September 24, 2024) at 60.

mitigation data,"[62] regulatory mandates required[63] utilities to automate, consolidate, and report wildfire mitigation data in standardized formats, including the Quarterly Data Report (QDR).[64] Further, over several WMP cycles, SDG&E was required to bolster its data governance framework in response to several Areas for Continued Improvement in WMP approvals (e.g., creating centralized data repositories and improving data quality controls).[65] Categorical denial of these costs is improper and the PD should be amended to authorize recovery in full.[66]

Second, the denial of these costs rests on a misunderstanding of the record and the regulatory framework. The PD claims the costs lacked support in workpapers, which is clearly contradicted by SDG&E's provision of line-item cost data for all WMPMA recorded costs. The PD cites to inapplicable requirements from the Rate Case Plan, which sets requirements in a forecasted GRC, but is improper in an after-the-fact reasonableness review such as this, as demonstrated by the fact that no party made such an objection during the course of this review. Finally, the PD vaguely claims (without support) a lack of coordination with "similar requests for computing resources regarding other WMP and non-WMP data." But, as explained above, all of the resources in question were intrinsically tied to the WMP data reporting requirements—which SDG&E assumes were implemented with the knowledge that they would result in additional costs. The PD should be revised to authorize costs associated with these required data governance upgrades.

D. The PD Errs By Adopting Resource Allocation Methodology Reductions That Were Subsequently Corrected by Cal Advocates and Have No Record Support

SDG&E's Resource Allocation Methodology (RAM) costs supported the development of its WiNGS platform and development of the Risk Spend Efficiencies (RSEs) required by both the Commission and Energy Safety. Once again, the denial of these costs rests on legal and factual errors.

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[62] PD at 108.

[63] 2020 Guidelines at 2.4. Page 30 - Condition (Guidance-10, Class B): Electrical corporations shall ensure that all future data submissions to the WSD adhere to the forthcoming data taxonomy and schema currently being developed by the WSD.

[64] 2020 WMP Guidelines at 2.3.1. "In addition to clarifying and defining terminology, the 2020 WMP Guidelines include 31 tables for filers to complete. The tables require electrical corporations to provide data in a consistent format, allowing for quicker review and comparison given the short three-month review and approval deadline imposed by California Public Utilities Code Section 8386.3(a). The WSD will continue to pursue improvements that enhance the WMP review and approval process." 2021 WMP Guidelines at 45, 56.

[65] See, e.g. SDG&E 2022 WMP approval at 79 ("in the action statement n SDG&E's 2021 Update, Energy Safety required SDG&E to improve the quality of its Quarterly Data Report spatial data submissions," SDG&E "should improve its specificity and detail in documenting both the data collected and the processing of those data.") and noting required progress on page 119.

[66] In other areas, the PD focused on comparing SDG&E's costs to those incurred by other IOUs. In this category, the reasonableness of SDG&E's costs is further substantiated by the parity with the other large IOUs spending. From 2020-2022, SDG&E's spending in this category was dwarfed by PG&E ($251m), and slightly higher than SCE ($22m). Approval of SDG&E 2022 WMP Update table 4.2-2.

First, these costs were required by regulatory standards. The WSD required utilities to show, *before* including a program in the WMP, "that California electric ratepayers' funds are only being spent on mitigation measures that are effective in reducing utility-caused wildfire risk," through "evaluation of a wildfire mitigation measure's 'risk-spend efficiency.'"[67] That mandate drove utilities to build data systems, disaggregate program costs, and quantify ignition risk reduction at the initiative level. These steps were essential to create an analytical infrastructure to address spending efficiency.[68] SDG&E's costs associated with these activities were incurred to meet these requirements. The requested incremental amount of $7.964 million was directly related to labor and activities essential for wildfire mitigation, including the development and application of the WiNGS model, data analytics, vendor support for RSE, and centralized team oversight.[69]

Second, the PD adopts recommended reductions without any record support. The PD cites to Cal Advocates' testimony in claiming confusion regarding SDG&E's total GRC authorized for this cost category, but fails to recognize that Cal Advocates subsequently admitted its recommended reductions were based on erroneous assessments of SDG&E's authorized costs and corrected its testimony.[70] The Cal Advocates testimony cited in the PD is not on the exhibit list, was never admitted as evidence, and was specifically revised to correct this factual error.[71] Ultimately, there was no dispute regarding SDG&E's authorized revenue for RAM and as such, there is no basis for the PD's erroneous conclusion that there is insufficient evidence of SDG&E's authorized activity,[72] as the authorized amounts were clearly mapped in SDG&E's response to the ALJ Ruling and otherwise uncontested.[73] The PD further errs in again improperly applying the Rate Case Plan workpaper requirements to this after the fact reasonableness review, where actual costs and line-item data provide the best insight into actual costs. Finally, the PD erroneously convolutes RAM costs with SDG&E's request for Risk Assessment and Mapping (RA&M), which address the "what and where" of risk reduction. RAM reflects the "how and

[67] Resolution WSD-002 at 2.

[68] As discussed above, recent requirements (including in the CPUC's RDF and SB 254) now call for far more rigorous quantification, including probabilistic risk modeling for ignition likelihood, burn probability, and consequence, as well as cost-benefit scoring. Utilities must calculate expected percentage risk reduction, cost-benefit ratios, and coverage of high fire-threat areas for each activity, supported by transparent assumptions and documented methodologies.

[69] The Wildfire Next Generation System (WiNGS) planning and operational model was a critical tool for SDG&E to develop risk reduction goals and allocate grid hardening initiatives. (See, e.g., PD at 50-51.)

[70] *See* Ex. CA-05-R (Benitez).

[71] Ex. CA-05 was not an included exhibit, the correct exhibit is Ex. CA-05-R (Benitez), which correctly notes authorized RAM costs of $5.234 million, not the $36.167 million erroneously cited in the PD.

[72] PD at 111.

[73] Ex. SDG&E-T2-09.

how much," both of which were essential to meeting regulatory compliance guidelines mentioned above and separately tracked for transparency and consistency with Energy Safety WMP initiative categories.

E. The PD Errs By Denying All Costs of SDG&E's Fuels Management and LiDAR Inspections Initiatives, Each Required to Implement SDG&E's WMP

As the PD recognizes, SDG&E's Vegetation Management Program budget category houses four initiatives, including fuels management and LiDAR (Light Detection and Ranging) inspections. The PD takes another inexplicable and capricious turn in denying the entirety of SDG&E's costs for both initiatives, despite both programs having clear targets necessary to achieve WMP compliance, and again, no party specifically contesting them.

The PD again factually errs in assigning all costs in this category to fuels treatment, when they in fact encompass three activities: (1) fuels treatment; (2) vegetation clearing within transmission right of ways—as required by municipal compliance ordinances and directives, and Fire Marshall directives; and (3) third-party grants to support MOUs for the purpose of reducing fuels near electrical infrastructure in a cost effective and targeted manner.[74] The PD capriciously denies the latter two of these cost categories without any discussion.

<u>With respect to fuels treatment</u>, the PD overlooks that SDG&E was required to implement a compliance target for fuels treatment in 2022 of 500 poles.[75] What is more, the PD categorically denies all costs based on the activity not having an RSE and having a higher unit cost than pole brushing. As explained in SDG&E's 2022 WMP, the activities were relatively new and there was inadequate data to calculate an RSE at the time. This exemplifies the PD's strict application of retroactive cost-efficiency standards to initiatives that were approved without such data at the time the costs were incurred. As to the PD's concern about the unit cost of this activity: The scope of SDG&E's fuels management is far different from pole brushing, as it involves reduction of overall woody vegetation around the pole to less than 30% for a 50-foot radius and creation of fuel breaks through open spaces between vegetation.[76] This work is significantly more labor-intensive, requires larger crews, specialized equipment, and includes environmental mitigation measures and biomass disposal. The program's relatively modest annual goal of 500 poles reflected its elective nature and more significant scope.

The PD's implied conclusion that pole brushing is enough and nothing further is required runs against the CPUC's own statements that "if utilities focus only on maintaining clearances and adequate

[74] Ex. SDG&E-T2-01R-C (Woldemariam - SDG&E 2022 WMP Update) at 288.
[75] 2022 WMP Approval at 66.
[76] Ex. SDG&E-T2-01R-C (Woldemariam - SDG&E 2022 WMP Update) at 22.

rights of way, it is still nowhere near a fail-safe way to mitigate the vegetation fuel risk we face."[77] Further, it is contradicted by the Commission's near full approval of the fuels management costs requested in SDG&E's TY 2024 GRC. The entirety of SDG&E's fuels management costs should be approved.

With respect to LiDAR inspection, the PD relies on a similarly dismissive analysis to deny costs despite Energy Safety's clear emphasis on LiDAR as an integral component of a mature vegetation and asset management operation.[78] SDG&E was required to address LiDAR inspections in its 2022 WMP Update,[79] and the majority of the O&M costs recorded for this program related to the retention of a third party contractor to perform the LiDAR surveys from October 2021 through December 2022. The costs were incurred in an efficient manner as they supported several areas of SDG&E wildfire mitigation work, including vegetation management as well as grid hardening. Even though LiDAR inspections were required by regulatory decisions and guidance, the PD denies recovery for LiDAR inspections based on hindsight assertions that SDG&E failed to provide cost justification and comparative defense of its use of this technology. The PD's clear error in denying these costs in light of regulatory requirements must be corrected.

F. The PD By Denying Covered Conductor Costs

The PD's disallowance of covered conductor costs suffers from the flaw of a capricious comparison to other IOUs, despite program differences. The PD disallows those costs based on the high unit cost of SDG&E's work as compared to that of PG&E and SCE. The PD would therefore "reduce SDG&E's cost recovery by the approximate percentage difference between SDG&E's Covered Conductor cost per mile and the same cost for PG&E, approximately 19 percent." (PD at 49–50.) That comparison again unreasonably assumes, without justification or analysis, that two utilities in different service areas with different programmatic priorities should necessarily have the same unit cost.

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[77] CPUC, Working Together on Innovative and Far-Reaching Solutions to Wildfire Prevention, Elizaveta Malashenko, Director, Safety and Enforcement Division (September 2018) at 1; see also §8386(c)(3), (c)(14) [requiring SDG&E, at the time these costs were incurred, to pursue programs through its WMP "*to* minimize the risk of its electrical lines and equipment causing catastrophic wildfires" and "achieve the *highest* level of safety, reliability, and resiliency…."].

[78] SDG&E 2022 WMP Approval at A-51-52.

[79] SDG&E 2022 WMP Approval at 54, citing 2022 WMP guidelines ("The asset management and inspections section of the Guidelines 89 requires the utility to discuss power line and infrastructure inspections for distribution and transmission assets within the HFTD. These include infrared, light detection and ranging (LiDAR), substation, patrol, and detailed inspections designed to minimize the risk of its facilities or equipment causing wildfires.")

IV. The PD Should Be Revised to Correct Factual Errors

A. The PD Mistakenly Zeroes Out Interest Without Any Discussion

The PD errs by zeroing out interest associated with the authorized balance for the 2023-2027 time period.[80] Given the absence of any discussion regarding this issue, SDG&E assumes this to be a mistake in the table that should be corrected in a final decision. SDG&E's approved WMPMA preliminary statement includes the recording of interest, and SDG&E should similarly be authorized to collect interest expense for costs authorized in a final decision. Failure to authorize interest calculated at the three-month commercial paper rate—the CPUC approved standard for interest on undercollections—would run contrary to the approved preliminary statement and effectively requires SDG&E to use its own balance sheet to provide interest-free financing of just and reasonable costs for customers. The absence of interest recovery is a tangible financing cost borne by SDG&E. Further, the rejection of interest is contradictory to the PD's finding that the timing of SDG&E's request for WMPMA cost recovery is not improper.[81] Accordingly, the PD should be revised to authorize recovery of interest from 2023-2027, consistent with the final authorized amount.[82]

B. The PD Misunderstands Why Certain Costs Were Allocated to Gas Accounts

The PD's error that SDG&E failed to demonstrate the connection of gas projects to wildfire mitigation costs reflects a misunderstanding of FERC accounting rules and the Commission's own approved common allocation rates, and ultimately results in a disallowance of costs otherwise approved elsewhere in the decision. Once costs are incurred and projects are placed in-service, the costs go through a segmentation process.[83] Those allocations are intended to match costs to their appropriate functions. Since every project is unique, the Commission allows utilities to apply common allocation rates instead of evaluating each and every cost recorded. During the 2019 GRC cycle, SDG&E charged common Administrative and General (A&G) to the appropriate FERC account numbers.[84] Because certain WMP activities, including SDG&E's DCRI program, were charged to A&G because they offered benefits to both gas and electric customers, SDG&E recorded those costs following the same guidelines as other A&G costs.[85]

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[80] PD at Table C-1. Also see Attachment C that shows blanks for years 2023-2027.
[81] PD at 139.
[82] To the extent the exclusion of interest is a deliberate judgment, rather than a factual oversight, the exclusion of interest would result in unfair and capricious treatment inconsistent with regulatory precedent, without any fair or substantial reason.
[83] D.19-09-051 at 601.
[84] Namely, FERC account numbers 920-923, 925 (in part) and 926-935 and common plant primarily to FERC account numbers 303, 389, 390, 12 391, 392, 393, 394, 395, 396, 397, and 398. *See,* A.17-10-008/A.17-10-007, Ex. SCG-34-2R/SDG&E-32-2R (Vanderhye) at 24.
[85] See Ex. SDG&E-T2-02R (Gentes) at 12.

The TY 2019 GRC Final Decision found that the methods and policies applied by SDG&E were "reasonable, supported by the record, and should be adopted."[86] The Commission found, "SDG&E's Business Segmentation and Electric Transmission allocation approaches apply methods, such as the allocation ratio applied to labor, that have been adopted by FERC and the Commission in prior GRCs. We find that compliance with Federal Regulations and application of standards authorized by FERC ensures consistency between state and federal regulations which is appropriate in this case."[87] By finding costs reasonable before segmentation but then disallowing those same costs after segmentation is inconsistent with Commission precedent and the general accounting treatment of common plant. If the Commission finds that segmentation, in this case, is inappropriate, the Commission should authorize these costs 100% to electric customers because the Commission found the direct costs to be reasonable.

C. The PD Misunderstands the Relationship of Employee Benefits to Incremental Headcount

Employee benefits are inseparable from employee headcount. If the "Commission finds that SDG&E hired new employees to perform work recorded in the WMPMA," it is fundamentally inconsistent and erroneous to then conclude that the employee benefits were already accounted for the 2019 GRC. SDG&E was authorized funding in the 2019 GRC based on the expected headcount at the time of filing. The PD correctly acknowledges that these additional employees were not contemplated in the 2019 GRC but errs in the treatment of those same employees' benefits. The PD should be revised to authorize benefit costs for the FTEs that were correctly found to be incremental to the 2019 GRC.

V. Conclusion

The PD should be revised to authorize the recovery of costs in the foregoing categories, and to remedy the legal and factual errors explained above.

Respectfully submitted,

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December 4, 2025

[86] D.19-09-051 at 607.
[87] *Id.*, at 606-607.

Appendix A

Proposed Changes to Findings of Fact and Conclusions of Law[1]

Findings of Fact

3. SDG&E's Covered Conductor costs are ~~significantly~~ higher than that of PG&E and SCE, *due to differences program scope and design that facilitate wildfire safety. These program differences reflect reasonable system enhancements and justify authorization of SDG&E's requested Covered Conductor costs in full.* ~~and it is reasonable to reduce SDG&E's recovery of capital expenditures for Covered Conductor by approximately 19 percent to reflect the approximate percentage difference between SDG&E's and PG&E's Covered Conductor cost per mile.~~

10. San Diego Gas & Electric Company's Standby Power Program costs that benefit commercial customers were ~~not reasonable because commercial customers lack medical and other critical needs during Public Safety Power Shutoff events~~ *reasonable because they supported critical infrastructure such as schools, gas stations, and other community needs during PSPS.*

11. San Diego Gas & Electric Company's costs for its expanded Drone Investigation Assessment and Repair pilot program after 2020 were ~~not~~ reasonable *to support the efficient and effective drone inspection program, meet WMP compliance target, and repair risk issues identified across SDG&E's inspection programs* ~~because of that program's high unit cost~~.

12. San Diego Gas & Electric Company's costs of $22.442 million for Fuels Management were ~~not~~ reasonable ~~because of that program's high unit cost of almost 100 times the unit cost for pole brushing.~~ *to reduce overall vegetation around selected poles and mitigate vegetation fuel risk, in compliance with targets for fuels treatment in SDG&E's WMPs*.

13. In its audit of a sample of San Diego Gas & Electric Company's costs incurred from May 30, 2019 through December 31, 2022, the accounting firm of Ernst & Young identified

[1] SDG&E notes that additional changes to certain Findings of Fact (FOF), Conclusions of Law (COL), and Ordering Paragraphs (OP), namely FOFs 15-17, COLs 23, 26, and 28-29, and OPs 1 and 2, will require additional revision upon adoption of final authorized programs.

approximately $0.8 million in costs that were not properly evidenced for inclusion in the Wildfire Mitigation Plan Memorandum Account. In this audit, Ernst & Young ~~reasonably~~ extrapolated the amount of improperly evidenced costs incurred during the audit period to be $2.6 million, *which SDG&E agreed to remove from its request*.

Conclusions of Law

8. *SDG&E's request for recovery in the amounts SDG&E recorded for its initial drone inspection program in 2019 of $0.274 million in capital expenditures and $13.557 million in Operations & Maintenance expenses is just, reasonable, and incremental and should be authorized.* San Diego Gas & Electric Company (SDG&E) *further* ~~failed to~~ demonstrated the prudency of ~~expanding~~ *continuing* the Drone Investigation Assessment and Repair ~~program without modification~~ post-2019 and ~~failed to~~ further established the reasonableness ~~of the high unit cost and~~ total costs from 2019–2022 for this program. *SDG&E's request for recovery of $80.535 million in capital expenditures and $123.889 million in Operations & Maintenance expenses for its expanded Drone Investigation Assessment and Repair program from 2020 to 2022 is just, reasonable, and incremental and should be authorized.* ~~SDG&E's request for recovery in the amounts SDG&E recorded for its initial drone inspection program in 2019 of $0.274 million in capital expenditures and $13.557 million in Operations & Maintenance expenses is just, reasonable, and incremental and should be authorized.~~

12. *San Diego Gas & Electric Company's request for $4.152 million in Operations & Maintenance expenses* for its ~~The Commission should deny recovery for the~~ Light Detection and Ranging (LiDAR) inspections program, *which was required by Energy Safety's WMP guidance as an integral component of vegetation management as recognized by Energy Safety WMP Guidelines*~~, as not reasonable and imprudent because San Diego Gas & Electric Company (SDG&E) did not: 1) provide information regarding whether a greater percentage of abnormalities were found using infrared technology than with other technology, 2) support the additional cost compared with other inspection programs, and 3) indicate how or when it assessed such information before initiating this program as a pilot or continuing it beyond the pilot stage~~ is just, reasonable, and incremental and should be authorized.

17. San Diego Gas & Electric Company's (SDG&E's) request for recovery of ~~additional~~ *$35.742 million in capital* costs for the *creation of its* Centralized Repository for Data, *which is*

an efficient and reasonable means to automate, consolidate, and report wildfire mitigation data in standardized formats, is ~~not~~ just, reasonable, *incremental*, and should be ~~denied~~ *authorized*. ~~because SDG&E failed to provide sufficient evidence required by the Rate Case Plan to support the request and failed to separate the amounts requested for data governance from other requests that may also support Wildfire Mitigation Plan data processing functions.~~

18. San Diego Gas & Electric Company's (SDG&E's) request for recovery of *$7.964 million (in direct costs) in Operations & Maintenance costs and associated indirect costs for its* Resource Allocation Methodology*, which supported the development of the WiNGS wildfire mitigation model to assess risk and prioritize grid hardening,* ~~costs~~ is ~~not~~ *just,* reasonable, *incremental,* and should be ~~denied because SDG&E failed to provide sufficient evidence required by the Rate Case Plan to support the amount requested, including how the amount requested is separate from the amount requested for the development of the WiNGS model as part of Risk Assessment and Mapping work~~ *authorized*.

~~18. San Diego Gas & Electric Company's (SDG&E's) request for recovery of Community Engagement costs is not reasonable and should be denied because SDG&E failed to provide sufficient information required by the Rate Case Plan, including how the amount requested is separate from the amount requested for recovery of costs requested under Community Outreach, Public Awareness, and Communication Efforts of Emergency Planning and Preparedness.~~

20. San Diego Gas & Electric Company's (SDG&E's) request for recovery *of $15.809 million in capital expenditures and $32.669 million in Operations and Maintenance costs (plus associated indirect costs) for Stakeholder Cooperation and Community Engagement* ~~Public Safety Power Shutoff Communications~~, *which supported PSPS communications and community engagement and preparedness efforts necessary to comply with the Commission's guidance in the PSPS Order Instituting Rulemaking* , costs is ~~not~~ just, *reasonable*, incremental, and should be ~~denied as unsupported because SDG&E failed to demonstrate the cost of the mobile phone application (App) separate from other costs requested, failed to demonstrate the value of an App compared to other alternatives, and failed to demonstrate the App's value to county governments and residents~~ authorized.

21. San Diego Gas & Electric Company's (SDG&E's) request for recovery of Employee Benefits costs in the amounts of $0.221 million in capital and $0.261 million for Operations &

Maintenance expenses is ~~not~~ *just,* reasonable, *incremental,* and should be denied authorized, because these costs are associated with additional employees hired since the Company's 2019 GRC who performed work recorded in the WMPMA ~~because SDG&E failed to provide sufficient information to demonstrate the amount of such costs that were authorized in the last General Rate Case and the type and amount of employee benefits associated with any new employees in the record that may be incremental~~.

27. San Diego Gas & Electric Company's (SDG&E's) request for recovery of $16.9 million in ongoing capital-related costs allocated to gas accounts is just, reasonable, and should be authorized, as these costs reflect the allocation of common Administrative & General expenses associated with certain WMP activities offering benefits to both gas and electric customers, and were previously found to be reasonable. ~~A separate proceeding is not necessary to review San Diego Gas & Electric Company's (SDG&E's) request for ongoing capital costs for gas projects because SDG&E has failed to demonstrate their connection to wildfire mitigation costs. As a result, SDG&E's request for recovery of $16.9 million in ongoing capital related costs for gas projects is unsupported and should be denied.~~

Ordering Paragraphs

~~4. San Diego Gas & Electric Company (SDG&E) shall continue to monitor, evaluate, and report the cost-effectiveness of replacing wood poles with steel poles. In the next general rate case, SDG&E shall perform cost-benefit analyses to compare the costs and benefits of the use of wood poles compared to metal poles and to demonstrate how SDG&E has accounted for savings in using metal poles instead of wood poles.~~

~~5. If San Diego Gas & Electric Company (SDG&E) requests cost recovery for any additional microgrid projects in a future application for cost recovery or General Rate Case, that request shall provide evidence of the energy source and cost-effectiveness of those microgrid projects as wildfire mitigations.~~

~~7. In San Diego Gas & Electric Company's (SDG&E's) next General Rate Case application, SDG&E shall provide evidence of the unit cost of generator and standby sources of power, including renewable options, and the distance at which grid hardening remote customers is unreasonable and standby power is recommended.~~

~~8. In its next General Rate Case application, San Diego Gas & Electric Company's (SDG&E) shall specify the Operations & Maintenance costs for all Asset Management and Inspection programs separately from the capital costs for repair or replacement of poles and other equipment and the number of poles being replaced. SDG&E shall also coordinate and optimize pole inspection and replacement programs and demonstrate the lack of redundancy between such programs.~~

~~9. Within 90 days of the effective date of this decision, San Diego Gas & Electric Company (SDG&E) shall file a Tier 1 Advice Letter verifying that SDG&E removed $1.4 million in additional electric Operations & Maintenance costs from the cost recovery requested.~~